

The Common Council met as the Water Utility Board at 3:00 p.m. on the above date in the Meeting Room at City Hall Annex with Mayor Knowles presiding and members Askren, Rueger, Angel, and Cooper attending. Councilman Tucker was not present. Others attending were Comm. Gray; Chief Beloit; Chief Webber; Attorney Funkhouser; Ron Greenfield; David Eaton; the Mount Vernon Democrat; Ben Jackey and CH 14 News; and arriving during the meeting, Ellie Hogan; Jamie Grabert - Posey County News; Beth Foster - Mount Vernon Democrat; Chris Janak - Bose McKinney; and Phyllis Ripplemeier - Posey County Humane Society.

Mayor Knowles called the meeting to order by stating members were either mailed or hand carried copies of the minutes of their previous meeting and by asking if there were any corrections or additions. She added if not, she entertains a motion to waive their reading and to approve the minutes as presented.

Councilman Rueger moved the reading of the minutes be waived and they be approved as presented. Seconded by Councilwoman Askren.

Mayor Knowles stated all those in favor of the motion should signify in the affirmative; and following the vote, she reported the motion carried unanimously.

Mayor Knowles stated she would like to call the Board's attention to the new microphones and that they should speak directly into them in order to be heard. She continued by stating the meeting has been changed today solely due to a conflict in the Clerk-Treasurer's schedule. She then requested action on the claims presented.

Councilman Cooper stated they did have a question on one bill, but it is not prepared as a claim, so considering that, he moves all prepared claims be allowed for payment. Seconded by Councilman Angel.

Mayor Knowles stated all those in favor of the motion should signify in the affirmative; and following the vote, she reported the motion carried unanimously.

*****CLAIMS*****

Water Operating & Maintenance \$145,745.92

Water Consumer Meter Deposit 240.00

Mayor Knowles stated they will now hear the report of acting Water Supt. Gray.

Comm. Gray stated the city officially took control over the water department on Thursday, March 10, at 4:00 p.m. He stated everything went smoothly, quietly, and peacefully and things seem to be running just fine. He continued by stating the plant has not been properly maintained and there are major repairs ahead of them, to the tune of at least \$15,000.00. He added there is an issue with a raw water pump that needs rebuilt, which would run around \$12,000 and a new one is around \$15,000.00. He then stated the KROFTA's have not been maintained and their condition has deteriorated quite a bit. He added the Keck Tower

pumps are faulting out, the Keck booster station also needs work, along with the Mulberry Tower needing a valve replaced. He stated the telemetry is also not working at that site. He added as a matter of fact, due to that, they currently have no idea how full the tower is, only that it does have water in it, they just do not know how much.

Councilman Angel questioned the status of the three employees they had discussed trying to get back on staff ?

Comm. Gray replied he is not sure about that yet, he has not been able to get in contact with them.

Councilman Rueger moved acting Supt. Gray be permitted to purchase the new raw water pump at a cost of around \$15,000.00., as discussed earlier. Seconded by Councilman Cooper.

Mayor Knowles stated all those in favor of the motion should signify in the affirmative; and following the vote, she reported the motion carried unanimously.

Ms. Hogan arrived at the meeting.

Comm. Gray stated there was a fire on the other end of town over the weekend and at that time they were made aware of a hydrant that did not work. He added they have already replaced that.

Mayor Knowles asked if Chairman Cooper had a report ?

Councilman Cooper stated there have been a lot of changes since he has been out of town, but Comm. Gray brought him up to date. He added he told Comm. Gray to do what needs to be done to the plant up and running.

Mayor Knowles asked if there were any questions ?

There were none.

Mayor Knowles asked about the Financial Report.

Clerk-Treasurer Wolfe replied she did receive it from Bookkeeper Bennett but has not had a chance herself yet to look it over, it will be forthcoming.

Mayor Knowles asked if anyone on the Audience wished to address the Water Utility Board ? She stated that Jim Brown was at the last meeting, not on the Agenda and had an issue with EMC. She stated he is on the Agenda today but was probably not notified of the change.

Councilman Cooper stated he spoke with Comm. Gray about that and he will taking a look at the situation and contacting Mr. Brown tomorrow.

Mayor Knowles stated a fire plug had been drained by EMC and a rut in his yard was the result. She stated Councilman Cooper and Comm. Gray will look at the situation and make contact with Mr. Brown.

Attorney Funkhouser stated they need to address the Resolution they have before them concerning the loan from the City to the Water Department for \$125,647.08, final payment to EMC for the remained of the contract period. He added the resolution calls for the money to be deposited into the Water Operating & Maintenance Fund and full repayment to the city will be due on or before December 31, 2005.

Jamie Grabert arrived at the meeting.

Councilman Rueger moved the Board recommend passage of the Resolution to the Council. Seconded by Councilman Angel.

Mayor Knowles stated all those in favor of the motion should signify in the affirmative; and following the vote, she reported the motion carried unanimously.

Mayor Knowles stated under Old Business, at the last meeting Councilman Tucker, who is not present today, had asked that London Witte be contacted about adjusting the rate schedule brackets, and they have sent a letter to the Council in reference to that and how they came to the suggested increase of 27% . She added the letter also hits on the urgency of the increase and how grave the situation is.

Councilman Rueger asked Attorney Funkhouser for clarification.

Attorney Funkhouser replied that is why Chris Janak is coming down today from Indianapolis, he will be addressing that when he arrives.

Beth Foster of the Mount Vernon Democrat arrived at the meeting.

Mayor Knowles stated per page 2 of their letter from London Witte they indicate that the water department is currently in default of their bond ordinances due to the current rates, that is why the urgency.

Mayor Knowles asked if there was any New Business ?

There was none.

Mayor Knowles asked if there was anyone in the Audience that wished to address the Water Utility Board, while they are awaiting the arrival of Mr. Janak ?

Mr. David Eaton stated he is a landlord and on March 7, he was in the process of selling a house when he went to the water works and asked the two gals at the office about any outstanding bills on the property before he sold it. He continued by stating they did produce some past bills on 226 Kimball, one to the tune of \$1,965.31.

Mr. Janak arrived at the meeting.

Mr. Eaton continued by stating the tenant had illegally turned the water on, that was back in 2001, and last Monday was the first time he heard anything about it. He added that in itself is ridiculous and wondered what he was to do now. He stated he was even sent to the prosecutor's office and still no one could tell him what to do or answer his questions. He added he was told at the water works that Tom Williams was in charge, but he still go

nowhere. He did stated that Mr. Williams told him if he produced a receipt showing repair of the problem, that would be a step in the right direction.

Phyllis Ripplemeier arrived at the meeting.

Mr. Eaton continued by stating he did make the repair and thought it was taken care of when he was told he needed to get in touch again with Tom. He stated again, Tom was not very helpful he basically told him that EMC was out of there on Thursday and he really did not care what happened. He stated he then called the Mayor's Office and was treated nicely by the mayor's secretary, but was told that any adjustment to the bill would be in the hands of the Council. He added he then told Ms. Cannato that he would present today. He stated in the meantime, he spoke with Ms. Morrow at the water office and she said there was a letter to me from Mr. Williams stating I only need pay \$180.32 and that the bill was then taken care of. He added he paid the bill but he has no idea what that amount was for. He stated he is a taxpayer and should not have had to do all of this, on top of that, the two ladies at the water office were very rude and in his opinion should not be working in a public office.

Councilman Angel questioned Comm. Gray on if Mr. Eaton's account balance was clear for that address ?

Comm. Gray replied it shows clear via the letter he received from Mr. Williams of EMC.

Mr. Eaton stated he has no idea and he no longer wishes to call back down there and talk with Ms. Morrow, and as for Ms. Carlisle, she only said she could not tell him anything, except he should use common sense.

Councilman Angel stated the balance seems clear but why he was asked to pay that amount he does not know.

Councilman Cooper stated EMC left 3/10/05, the letter from Mr. Williams is dated 3/7/05, it appears to be a valid letter, EMC was still in charge then.

Comm. Gray stated he did see the letter today along with the receipts that Mr. Eaton provided as well as the adjustment, but he is not sure of the amount either.

Councilman Cooper suggested that as far as he is concerned the account is free and clear and settled, sell the house.

Mr. Eaton stated he does have yet another issue. He continued by stating he lives at 1202 Main Street, right beneath the Mulberry Tower, and in December 2004 he contacted the water works and spoke with Ms. Carlisle about water running down from the tower and freezing where they park their cars. He stated Ms. Carlisle told him there were others in front of him, and that they would get to him. He added sure, enough, the water froze and on December 23 Mr. Bilby came out and said there was really nothing EMC could do about it and that he should basically just deal with it. He stated he had a problem with the ice, it was not safe, he fell, and his wife almost did, and he left it at that. He added he still unfortunately had to park there, there is no other place to park - the ice froze and caused his new van to slide into an object and be damaged. He stated he then called the Mayor's

office and was told he should contact the water works, though he believes their office contacted the street department and Comm. Gray did come out and clean the ice out. He added Comm. Gray also told him he should contact the water works, but once again, when he did, no one ever called him back. He stated as of last week, Mr. Williams again told him he was not going to do anything about it, contact the city.

Councilman Rueger replied that when EMC was in control, the city lost a lot of control over situations such as this.

Councilman Angel asked if he had an estimate on the repair to his van ?

Mr. Eaton replied no, the situation just got dropped as he never got an answer from the water works.

Councilman Cooper stated he will get Mr. Eaton's number and find out how to handle this and then get back with him. He added he is not sure if EMC was responsible, they are now gone, but he will get back with him.

Mr. Eaton thanked Councilman Cooper and added he still has yet one more issue. He added the water works is a public office - he has dealt with the Mayor's office and was treated great, but those two ladies down at the water works office treat the public like dirt. He added he hears it everywhere he goes, the gas station, the store, everywhere. He added they are rude and should not hold a public type position.

Councilman Cooper stated they now have new superintendent down there and he will not put up with behavior like that and the Council will not tolerate it either. He added the Council does not want that going on as well, but the Council had no control in the past, they can address that now and he apologizes for the treatment Mr. Eaton received.

Mayor Knowles stated they will now hear from Mr. Janak.

Mr. Janak stated he has good news and bad news for the Board today. He continued by stating the good news first - the City of Mount Vernon is now in control of their water works, EMC is gone. He added there are bills issues to sort through, etc., but he feels they have paid EMC enough. The bad news, he stated, is that they still have no money in the bank and as a result, the city will today have to make a loan to the water department to pay its bills. He added the rates as they are today are unlawful and illegal. He added also that along the way EMC was contractually required to report to the Board all financial issues so the Board was aware of the utilities financial status, but EMC never told the Board that the rates needed to be raised in order to maintain financial integrity. He stated when he was here six weeks ago, Councilman Angel recommended the Board go forward with the proposed 27% increase, and he is here again today to revisit this issue.

Mr. Janak stated number one, EMC is gone, now what ? He stated without the increase there will be no money in the bank and they will therefore be unable to pay the city back, and there is no working capital. He added if their fiscal year ends in September, they will need to pay the city back by 9/30/05 (it was later revealed to Mr. Janak that the city fiscal year ends in December). He added they need revenues - EMC told the City it would be at least as expensive for the City to run the waterworks on their own as they were paying

EMC. He further stated that the City also needed to make capital improvements and because of what EMC did to this Board as well as the community, the water works needs to get back on solid ground. He added they could change the current structure as Councilman Tucker had been concerned about the rate block for users over 1MG paying less. That could be dangerous. This leads to the second point that needs to be addressed. If the Board changes or raises the last rate block, the largest users/rate payers (GE, for example), would actually receive more than a 27% increase. IN contract, the residential customers' rate increase would be at or below 27%. By having a differential rate increase, it could open the door to challenge. Large users could file a lawsuit - he has seen it before. He added the Board does not need a lawsuit right now. He added if the City wants to change the rate for the last rate block, the City should hire an accountant to find the actual cost of serving the large users and that could take 60 days or more and would also cost more money.

Mr. Janak stated the third issuelook and see if the raise was sufficient and either lower or raise the rates depending on the results of the future investigation. He also reminded the Board that the 27% increase does not take into account any capital improvements to the system. He stated on January 24, 2005, the Board recommended that the City Council go forward with the proposed increase of 27% and he does have an ordinance prepared and with him tonight reflecting the 27% increase that can be recommended to and introduced by the City Council. He then added that if the ordinance is introduced by the Council, he can then send notice to the newspaper of the public hearing and the water department can notify all out of town users. He again stated, he can introduce the ordinance tonight, advertise n the paper, hold the public hearing and get the process started.

Councilman Angel stated the Board all agrees that the rates need to raised, they were merely concerned about the possibility of selling water for cheaper than the cost to make it. He added London Witte basically confirmed that as well, he wondered if 27% was enough ?

Mr. Janak replied that in reference to their largest users: When the other users pay, all "costs" are collected first and the last rate block is usually set at a rate to recover only the actual costs of producing water. He added if London Witte says they can take \$10,000 currently and turn it into \$12,700, that is their best estimate and the safest approach. He added the City had the rate structure for years and keeping the rate structure "as is" is the best chance of preventing the City from being sued by a large user. He stated they need to generate funds and really monitor their spending and get a hold of the utility.

Councilman Cooper asked if they were referencing the email Attorney Funkhouser sent on cost ?

Attorney Funkhouser replied the information actually came from Mr. Williams.

Mayor Knowles stated per that email from Mr. Williams, it costs \$3.26/gallon to produce, on average.

Mr. Janak stated another interesting fact is that when EMC was in charge, the utility lost 11% in revenues, but there was a 6-7% increase in the amount of water produced.

Councilman Cooper replied EMC never could explain that.

Mr. Janak stated the Board needs to get a handle on these issues and right now the costs are just unknown.

Councilman Angel stated it was always the consensus of the Council they needed the increase, they are in violation of state law right now with these rates, but they want to be sure they do it right, the increase is ahead of them no matter what.

Mayor Knowles agreed the utility is in a desperate financial situation, the Board needs to do something.

Mr. Janak stated they have succeeded in getting EMC out, now the rates need addressed.

Attorney Funkhouser questioned the Board's concern on possibly changing the 25% surcharge per ordinance, that out town users pay.

Mr. Janak replied that Evansville looked into changing theirs to 35%, but he explained that the City of Mount Vernon has had a 25% surcharge for years, therefore the charge is presumed just and equitable. He added if they would go higher, they would need a cost basis showing that it is more expensive to serve those users.

Councilman Angel moved the 2005 rate ordinance be recommended for passage by the Council. Seconded by Councilman Cooper.

Mayor Knowles requested a roll call vote.

Roll was called by the Clerk-Treasurer with Council voting as follows:

Askren - yes; Tucker - absent; Rueger - yes;

Angel - yes; Cooper - yes.

Mayor Knowles reported the motion carried unanimously by members present.

Councilman Cooper questioned the EMC bill that appeared today, for just over \$5100.00, he feels that should not pay that.

Mr. Janak agreed totally.

Councilman Cooper stated there are several bills lumped together to get it over the \$5,000.00 mark and that the check they will be getting for \$125,647.08 should be considered payment in full.

Mayor Knowles stated if there were no further business, she entertains a motion to adjourn.

Councilman Cooper moved the meeting be adjourned. Seconded by Councilwoman Askren.

Mayor Knowles stated all those in favor of the motion should signify in the affirmative; and

following the vote, she reported the motion carried unanimously and adjourned the meeting.

Rosemary L. Knowles

Mayor

ATTEST:

Cristi L. Wolfe

Clerk-Treasurer